THE GROUP OF ELEKTROCIEPŁOWNIA "BĘDZIN" SA

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2020
IN ACCORDANCE WITH IAS 34

"INTERIM FINANCIAL REPORTING"

Contents

(prepared in accordance with IAS 34 “Interim Financial Reporting”, in PLN 000's)

1. General information

These condensed interim consolidated financial statements for the period from 1 January to 30 September 2020 conform to IAS 24 “Interim Financial Reporting” approved by the European Union.
These financial statements provide a reliable and clear view of the assets and liabilities of the Group of Elektrociepłownia “Będzin” S.A. and they were authorised by the Management Board of Elektrociepłownia “Będzin” S.A. (Parent Undertaking) for release, and they incorporate:

- condensed interim consolidated statement of financial position as at 30 September 2020,
- condensed interim consolidated statement of comprehensive income for a period of three and six months ending on 30 September 2020,
- condensed interim consolidated statement of changes in equity for the period from1 January to 30 September 2020,
- condensed interim consolidated cash flow statement for the period from1 January to 30 September 2020,
- notes to the condensed interim consolidated financial statements.

In 1H2020 expedited arrangement procedure was instigated at Energo-Utech SA, a subsidiary. Amid a worsening quality of financial assets’ portfolio and the payment behaviour of counterparties, short-term liabilities to banks of PLN 4.5m, loans to other creditors of PLN 6m and promissory notes of PLN 3m being declared immediately due and payable in 2H 2019, negative cash flow forecasted for the months to come, the subsidiary’s Board identified a material risk of bankruptcy affecting the subsidiary. Therefore, a decision was made to open expedited arrangement proceedings of the subsidiary. The proceedings were initiated in February 2020 and are still under way at the moment of preparing the attached financial statements.

Moreover, end 2019, news from China on COVID-19 (coronavirus) appeared. In the first few months of 2020, the virus spread throughout the world and its negative impact reached many countries. Although things are still volatile at the time of releasing these statements, it appears that the negative impact on world trade, production and on the undertaking/group may be more serious than originally expected. The Group Board’s assessment of the SARS-Cov-2 pandemic effect on the Group’s standing is presented in note 7.4 to the financial statements.

Assessment of the Group’s going concern and the grounds for the going concern statement are referred to in p. 7.4 of the financial statements, “The Group's going concern”.

Management Board of Elektrociepłownia “Będzin” S.A.

Bartosz Dryjski	Kamil Kamiński
Member of the Management Board	*Member of the Management Board*

Signature of the person in charge of the undertaking’s books of account and representing the book-keeping entity

Bożena Poznańska

Poznań, 27 November 2020

(prepared in accordance with IAS 34 “Interim Financial Reporting”, in PLN 000's)

Condensed consolidated statement of financial position

	Note	30.09.2020 unaudited	31.12.2019
Assets			
Non-current asset			
Property plant and equipment	*11*	132 150	140 018
Right to use property plant and equipment	*11*	6 003	6 281
Intangible assets	*12*	755	914
Receivables under lease agreements	*13*	76 024	125 752
Granted loans		16 125	16 735
Other long-term investments		976	976
Other receivables		3 686	3 686
Deferred tax assets		157	-
Total non-current assets		**235 876**	**294 362**
Current assets			
Inventories		36 366	42 567
CO2 emission allowances to be surrendered		82	13 174
Receivables under lease contracts	*13*	59 252	61 964
Granted loans		5 251	18 984
Trade debtors and other debtors		7 275	14 810
Income tax receivables		1 051	2 837
Cash and cash equivalents		10 887	8 189
Prepayments and accruals		42	244
Other financial assets		-	8 617
Total current assets		**120 206**	**171 386**
Total assets		**356 082**	**465 748**

Notes to the condensed interim consolidated financial statements are incorporated herein.

(prepared in accordance with IAS 34 "Interim Financial Reporting", in PLN 000's)

	Note	30.09.2020 unaudited	31.12.2019
Liabilities			
Equity	*16*		
Share capital		37 728	37 728
Supplementary capital		67 613	67 613
Reserve capital		44 843	44 843
Defined benefits plan revaluation reserve		(564)	(564)
Retained profits		(134 860)	(84 271)
Total equity		**14 760**	**65 349**
Liabilities			
Liabilities under loans, bank loans and other debt instruments		39 973	51 745
Liabilities under employee benefits	*18*	5 742	5 742
Other liabilities		1 411	506
Provisions	*19*	-	-
Deferred income tax provisions		57	242
Subsidies		-	-
Total liabilities		**47 183**	**58 235**
Short-term liabilities			
Liabilities under loans, bank loans and other debt instruments		206 309	249 696
Trade creditors and other creditors		33 321	28 792
Liabilities under employee benefits	*18*	1 608	2 961
Deferred income tax provisions		271	319
Provisions	*19*	52 630	60 396
Total short-term liabilities		**294 139**	**342 164**
Total liabilities		**341 322**	**400 399**
Total equity and liabilities		**356 082**	**465 748**

Notes to the condensed interim consolidated financial statements are incorporated herein.

(prepared in accordance with IAS 34 "Interim Financial Reporting", in PLN 000's)

3. Condensed consolidated statement of comprehensive income

	01.07.2020-30.09.2020 unaudited	***01.07.2019-30.09.2019 unaudited***	***01.01.2020 - 30.09.2020 unaudited***	***01.01.2019 - 30.09.2019 unaudited***	***01.01.2019 - 31.12.2019***
Continued operations					
Revenues	*39 633*	57 630	112 245	166 764	222 655
incl. interest income based on ESP method	*439*	-	*1 665*	-	*2 876*
Other operating revenues	*4 137*	199	5 118	1 978	4 139
Operating costs	*(2 151)*	-	(8 409)	-	(14 445)
Amortisation/depreciation	*(2 986)*	(4 577)	(9 093)	(14 140)	(16 265)
Surrender of CO2 allowances	*(22 640)*	-	(48 572)	-	(54 347)
Consumption of materials and energy	*(22 652)*	(36 755)	(56 868)	(102 376)	(85 943)
External services	*(5 524)*	(5 830)	(15 770)	(13 701)	(19 012)
Taxes and charges	*(1 108)*	(1 164)	(3 421)	(3 375)	(4 589)
Payroll and employee benefits	*(5 590)*	(5 903)	(15 873)	(17 857)	(23 482)
Other costs by type	*(566)*	(344)	(2 135)	(1 136)	(1 549)
Value of goods and materials sold	*(1 500)*	(11 569)	(2 512)	(12 064)	(12 483)
Other operating expenses	*(325)*	(181)	(828)	(753)	(63 853)
Impairment allowance (as per IFRS 9)	-	-	(654)	(11 735)	(40 204)
Profit (loss) on operating activities	**(21 272)**	**(8 494)**	**(46 772)**	**(8 395)**	**(109 378)**
Financial income	*199*	117	473	742	1 636
Financial expenses	(602)	(4 547)	(4 135)	(13 840)	(3 704)
Net financial income/(expenses)	**(403)**	**(4 430)**	**(3 662)**	**(13 098)**	**(2 068)**
Share in the net profit/(loss) of undertakings measured at equity method	-	-	-	-	
Gross profit/(loss)	**(21 675)**	**(12 924)**	**(50 434)**	**(21 493)**	**(111 446)**
Income tax	*(136)*	2 043	(155)	3 201	6 567
Net profit (loss)	**(21 811)**	**(10 881)**	**(50 589)**	**(18 292)**	**(104 879)**
Out of which net profit/loss:					
per the Parent Undertaking's shareholders	**(26 700)**	**(10 881)**	**(28 778)**	**(18 292)**	**(104 879)**
per non-controlling interest					
Net profit for the reporting period	**(21 811)**	**(10 881)**	**(50 589)**	**(18 292)**	**(104 879)**
Other comprehensive income					
Other comprehensive income which will not be reclassified to the profit or loss					
Revaluation of net liability from the defined benefits plan	-	-	-	(29)	(211)
Income tax attributable to items which will not be reclassified to the profit or loss	-	-	-	5	40
	-	-	-	(24)	(171)
Other comperehsive income total for the reporting period	-	-	-	(24)	(171)
Profit or loss or other comprehensive income per the reporting period	**(21 811)**	**(10 881)**	**(50 589)**	**(18 316)**	**(105 050)**
Out of which the comprehensive income:					
per the Parent Undertaking's shareholders	(21 811)	(10 881)	(50 589)	(18 316)	(105 050)
per non-controlling interest					
Net profit (loss) per share					
Main (in PLN)	(6,93)	(3,46)	(16,06)	(5,81)	(33,30)
Diluted (in PLN)	(6,93)	(3,46)	(16,06)	(5,81)	(33,30)

The net profit/(loss) shown is fully attributed to the parent undertaking's shareholders.

Notes to the condensed interim consolidated financial statements are incorporated herein.

(prepared in accordance with IAS 34 "Interim Financial Reporting", in PLN 000's)

4. Condensed consolidated interim statement on changes in equity

	Share capital	Supplementary capital	Reserve capital	Defined benefits plan revaluation reserve	Retained profits	Total equity
Equity as at 01.01.2020	**37 728**	**67 613**	**44 843**	**(564)**	**(84 271)**	**65 349**
Net profit distribution	-		-	-		-
Profits for reporting period						
Net profit for reporting period	-	-	-	-	(50 589)	(50 589)
Other comprehensive income for reporting period						
Revaluation of the net liability from defined benefits plan (adjusted for tax effect)	-	-	-	-	-	-
Profits or losses and other comprehensive income total per reporting period	-	-	-	-	(50 589)	(50 589)
Equity as at 30.09.2020 unaudited	**37 728**	**67 613**	**44 843**	**(564)**	**(134 860)**	**14 760**

	Share capital	Supplementary capital	Reserve capital	Defined benefits plan revaluation reserve	Retained profits	Total equity
Equity as at 01.01.2019	**37 728**	**67 613**	**44 843**	**(393)**	**22 451**	**172 242**
Net profit distribution	-	-	-	-	-	-
Profits (loss) for reporting period						
Net profit for the reporting period	-	-	-	-	(18 292)	(18 292)
Other comprehensive income for reporting period						
Revaluation of the net liability from defined benefits plan (adjusted for tax effect)	-	-	-	(24)	-	(24)
Profits or losses and other comprehensive income total per reporting period	-	-	-	(24)	(18 292)	(18 316)
Equity as at 30.09.2019 unaudited	**37 728**	**67 613**	**44 843**	**(417)**	**4 159**	**153 926**

Notes to the condensed interim consolidated financial statements are incorporated herein.

(prepared in accordance with IAS 34 "Interim Financial Reporting", in PLN 000's)

5. Condensed consolidated cash flow statement

	01.01.2020 - 30.09.2020 unaudited	01.01.2019 - 30.09.2019 unaudited
Operating cash flow		
Gross profit	**(50 434)**	**(21 493)**
Adjustments		
Calculation of deferred tax	341	-
Depreciation of property plant and equipment	9 928	13 684
Amortisation of intangible assets	162	456
Creation / (reversal) of impairment allowances for property plant and equipment and intangible assets	253	-
Profit/loss on investing activity	(2 916)	(137)
Other adjustments	556	(1 146)
Operating expenses	8 381	-
Change in granted loans	8 494	10 803
Change in inventories	6 201	(26 104)
Change in trade debtors and other debtors	7 123	7 085
Change in trade creditors and other creditors	11 376	(5 773)
Change in provisions and liabilities due to employee benefits	3 793	(1 823)
Change in prepayments and accruals	(97)	108
Change in subsidiary status	-	410
Operating cash flow	**3 161**	**(23 930)**
Net financial income/(costs)	1 428	12 840
Interest received	(11)	(72)
Income tax paid / refunded	1 229	(1 404)
Total of operating cash flow less the change in lease receivables	**5 807**	**(12 566)**
Change in lease receivables	39 442	72 261
Net operating cash flow	**45 249**	**59 695**
Investing cash flow		
Purchase of property plant and equipment	(1 007)	(1 661)
Purchase of intangible assets	658	(845)
Purchase of other investments	(3 598)	(710)
Long-term loans granted	(828)	-
Disposal of property plant and equipment	20 891	5 257
Interest received	11	72
Receipts from the repayment of loans granted	1 227	1 362
Net investing cash flow	**17 354**	**3 475**
Financial cash flow		
Taking out bank loans, loans and other debt instruments	8 579	107 689
Expenses for the repayment of bank loans, loans and other debt instruments	(69 815)	(163 066)
Payment of finance lease liabilities	(578)	(1 395)
Interest paid	(6 774)	(12 486)
Subsidies received	66	-
Net financial cash flow	**(68 522)**	**(69 258)**
Total net cash flows	**(5 919)**	**(6 088)**
Opening balance of cash and cash equivalents	**16 806**	**24 642**
Change in the classification of financial assets		
Closing balance of cash and cash equivalents	**10 887**	**18 554**
including restricted cash	316	9 384

Notes to the condensed interim consolidated financial statements are incorporated herein.

(prepared in accordance with IAS 34 “Interim Financial Reporting”, in PLN 000's)

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6. Overview of the Parent Undertaking and the Group

Elektrociepłownia “Będzin” SA (“Parent Undertaking”) is a joint-stock company incorporated in Poland. The Company’s registered office is in Poznań, at Bolesława Krzywoustego 7.

Elektrociepłownia “Będzin” SA is the Parent Undertaking of the Group of Elektrociepłownia “Będzin” S.A.

Condensed interim consolidated financial statements for the period from 1 January to 30 September 2020 comprise financial statements of the Parent Undertaking and its subsidiaries (collectively referred to as the “Group”).

The share capital of the Parent Undertaking totals PLN 15,746.00 and it falls into 3,149,200 shares (A series) with the nominal value of PLN 5 each. The share capital was revalued as per the information referred to in Note 16.

The Parent Undertaking is entered into the Business Register of the National Court Register under KRS 0000064511 pursuant to a decision of the Regional Court in Katowice of 18 December 2001. It is a holder of REGON (Statistical Number) 271740563 and NIP (Tax Identification Number) 6250007615.

The duration of Elektrociepłowna “Będzin” SA as the Parent Undertaking and the undertakings making up the Group is unlimited.

The following are the objects of the Parent Undertaking and the Group:

- heat generation (water steam and hot water),
- electricity generation,
- finance lease,
- other financial services.

The subsidiaries as at 30 September 2020

Subsidiary’s name and registered office	Country	Share (in %)	
		30/09/2020	31/12/2019
Elektrociepłownia BĘDZIN Sp. z o.o. ul. Małobądzka 141, Będzin	Poland	100	100
Energetyczne Towarzystwo Finansowe-Leasingowe Energo-Utech S.A ul. Bolesława Krzywoustego 7, Poznań	Poland	100	100

Non-consolidated undertakings and non-joint ventures in which the Company holds interest as at 30 September 2020

Subsidiary’s name and registered office	Country	Share (in %)	
		30/09/2020	31/12/2019
ENERGO-BIOMASA Sp. z o.o. Suliszewo 97, Drawsko Pomorskie	Poland	19.99	19.99

The composition of the management and supervisory bodies of the Parent Undertaking was as follows:

Management Board as at 30 September 2020:

Bartosz Dryjski Member of the Management Board
Kamil Kamiński - Member of the Management Board

Supervisory Board as at 30 September 2020:

1. Sebastian Chęciński - Member of the Supervisory Board
2. Krzysztof Kwiatkowski - Member of the Supervisory Board
3. Waldemar Organista - Member of the Supervisory Board
4. Marcin Śledzikowski - Member of the Supervisory Board
5. Waldemar Witkowski- Member of the Supervisory Board

Supervisory Board as at the date of releasing the financial statements:

1. Krzysztof Kwiatkowski - Chairman
2. Waldemar Organista - Deputy Chairman
3. Sebastian Chęciński - Member of the Supervisory Board
4. Marcin Śledzikowski - Member of the Supervisory Board
5. Waldemar Witkowski- Member of the Supervisory Board

The Audit Committee under the Supervisory Board was formed on 5 November 2020, so there was no Audit Committee as at 30 September 2020.

Audit Committee under the Supervisory Board as at the date of releasing the financial statements:

Sebastian Chęciński - Chairman of the Audit Committee,
Krzysztof Kwiatkowski - Member of the Audit Committee,
Marcin Śledzikowski - Member of the Audit Committee.

7. Basis for the condensed interim consolidated financial statements

7.1 Statement of conformity

These condensed interim consolidated financial statements for the period from 1 January to 30 September 2020 were prepared in accordance with IAS 34 “Interim Financial Reporting” approved by the European Union (“EU”) and in accordance with the Regulation of the Minister of Finance of 29 March 2018 (Journal of Laws of 2018. Item 512 and 685) on current and periodic information transmitted by the issuers of securities and on conditions under which information required by legal regulations of a non-member state may be recognised as equivalent.

7.2 Basis for the valuation

The condensed interim consolidated financial statements are based on a historic cost principle, save for financial instruments measured at fair value.

7.3 Functional and presentation currency

The figures in the condensed interim financial statements are expressed in thousands of Polish zloty unless otherwise specified. Polish zloty is the functional currency of the Parent Undertaking and a reporting currency of the Group’s companies.

7.4 The Group's going concern

The Group identifies and actively manages liquidity risk understood as a possibility of losing or limiting the capacity to timely cover day-to-day expenses. As at the reporting date, the Group’s Board identifies the following risks and uncertainties relating to the Group’s going concern:

1. with respect to the entire Group:

The excess of short-term liabilities over the value of unencumbered non-current assets of the Group is PLN 173.9 m as of 30 September 2020. It is mainly due to the circumstances in the financial sector (chiefly represented by ETFL Energo-Utech SA, a subsidiary); the amount covers the subsidiary’s bank loan liabilities of PLN 106.9m requalified for the first time as at 31.12.2019 from long-term to short-term liabilities on account of having breached bank covenants. At the same time, no declarations were obtained from the banks that the breach will not cause a termination of bank loan agreements. The requalified bank loan liabilities mainly finance lease receivables which fall into short- and long-term in the report. As said below, the subsidiary (representing the financial sector in the financial statements) is in restructuring and it continues both lease contracts made in the preceding periods, as well as the bank loan liabilities that finance the contracts (under the proposed arrangement solutions). At present, no new lease contracts are entered into. The Group’s Board assumes that the Group’s standing associated with negative working capital will be addressed by reaching an arrangement in the subsidiary, thus, restructuring the debt by reducing it and spreading it over time. No approval for the arrangement will be tantamount to a possible bankruptcy of the subsidiary translating into losing control over the financial segment. Such an outcome does not pose a risk of ceasing of the entire Group’s business, but of the financial sector only.

The Group Board assessed the influence of COVID-19 on the Group’s operations in all of the significant areas. No serious disturbance of operations was found but for lower prices on the electric power market due to lower demand and substantial imports of electric power, both the factors combined having influenced profitability of electric power production (in the power segment). Power energy prices in March and April 2020 went down to an average of PLN 163/MWh versus the forecasted average price of PLN 231/MWh, which translated into turnover lower by around PLN 6m in those months. Following the downward trend, electric power prices rebound to around PLN 220-230/MWh in May, June and July 2020. As at the date of releasing the financial statements, the prices remain on the previous level.

In the context of the financial sector, there was a decrease in demand for lease services, limited lending activity of banks, a decrease in revenues due to lower WIBOR, which in the short term may translate into lower interest in financing through leasing or lease with the right to collect benefits. A handful of clients requested a deferral of lease instalments, which was consequently communicated to the financing banks. As at the date of signing the financial statements, the Board does not forecast any aggravated risk of client bankruptcies nor are any intensified payment difficulties on clients’ part observed. No contracts were terminated following the balance sheet date. As regards new contracts past the balance sheet date, the Company signed none on account of an arrangement procedure starting the beginning of 2020.

The Group’s Board analysed the impact of the pandemic on legal and contractual terms. Grounds for negotiating contracts with key suppliers in the power sector are being analysed. The measures taken were referred to in p. 4 of this paragraph.

The pandemic situation impacted the working capital and liquidity of the Group’s subsidiaries. In May 2020, Elektrociepłownia Będzin Sp. z o.o. obtained additional funds of PLN 3.5m from the Polish Development Fund and requested additional funds under subsequent economic relief programmes. Due to a temporary drop in power prices and a high fluctuation of power prices on the market, the Group's Management Board anticipates that it may not be possible to pay out cash in the form of dividend from this entity in the near future

The situation may change radically from the entire 2020 perspective in the context of any second wave of illness, related restrictions and their impact on the macroeconomic situation.

2. with respect to the parent undertaking (holding activity in the Group, not classified separately as a segment in the consolidated statements);

As at 30 September 2020, the balance sheet date, the parent undertaking’s short term liabilities exceeded the current assets by PLN 4.75m. Additionally, in 1H2020 liquidity problems affected the parent undertaking.

In the light of the foregoing, the parent undertaking's Board, being aware of material uncertainty as for the going concern, took up measures to recover liquidity. On 30 July 2020 the undertaking sold property, plant and equipment pertaining to the main finance lease contract at a price of PLN 20,830k. The funds generated enabled a total repayment of the loan and a payment of short-term liabilities falling due. The remaining excess, in line with the Company's forecasted cash flow, will finance ongoing operations and the repayment of liabilities in the subsequent months, allowing for the following uncertainties:

- on 10 April 2019 the terms of issue for "A" series bonds amounting to PLN 16,200k were changed so that the maturity was extended to 10 April 2022. With respect to a material impairment of assets, the parent undertaking's Board analysed the terms of issue for bonds. Pursuant to p. 23.1.17 of the Bond Agreement, terms of issue are infringed in case of "a loss of the Issuer's balance sheet assets of a considerable value (…), in which case the Issuer's financial standing and its ability to meet or fulfil Bond liabilities, may be greatly affected." The undertaking's Board is of the opinion that in spite of the uncertainty arising from an imprecisely worded provision, this condition is met. In the Board's view, in spite of losing more than 10% of the assets' value, the other part of the condition is crucial in that the loss should adversely affect the capacity to pay the bond liabilities. The parent undertaking's Board argues that as a result of the measures taken, the entity has sufficient funds to timely service interest, whereas the bond principal will be repaid in 2022 the moment interest in Elektrociepłownia Będzin Sp. z o.o., a subsidiary, is sold (sales of the power segment assets). Hence, the loss does not affect the parent undertaking's capacity to service liabilities, and the condition itself is not infringed. The Board of the parent undertaking holds a view that in spite of a considerable reduction of assets' value, bond liabilities (interest) have been and are being timely repaid.

- the parent undertaking extended repayment guarantees for three bank loans granted to its subsidiary, two out of which are not timely serviced. As at the balance sheet date, the respective liability was PLN 10.613k, out of which PLN 3.727k is a portion unencumbered on the tangible assets of Energo-Utech S.A. Expedited arrangement proceedings mentioned above, which will be subject to voting in the forthcoming months, are crucial in potentially determining the need to repay the unsecured amount. The Board's opinion is that the arrangement proposals will be approved by the subsidiary's creditors, which means it will not be necessary to repay the above said contingent liability.

3. with respect to the financial segment (largely corresponding to the operations of Energo-Utech, a subsidiary);

On 12 February 2020 the court ordered to initiate expedited arrangement proceedings, which protected the Company against enforcement by creditors. The restructuring plan's assumptions are addressed below.
On 22 June 2020 the Judicial Supervisor sent to court an arrangement proposal and the restructuring plan signed by the Company's Board.

The Company's Board assessed the recoverable value of assets and the value of liabilities as at 30 September 2020. Still, in view of the pandemic-related circumstances which arose in March 2020, cash flow in the restructuring plan allows for a much lower realisation of funds which is additionally extended over time as opposed to the balance sheet as at 31 December 2019 (around PLN 10m difference). In particular, the disposal and takeover of security objects for termination-eligible contracts are affected. It is primarily the effect of external factors that came into play as an aftermath of COVID-19. The Board took notice of the following market factors:

- some entities struggling to timely repay the maturing loan instalments, placing deferral requests;
- less intensive economic activity in various industries which affects lower demand for property, plant and equipment the ownership of which has been transferred to secure lease contracts;
- fewer tenders or limited capacity for visually inspecting the assets;
- limited capacity to organise business meetings.

Taking into account the auditor's opinion, the Company's Management Board revised the financial projections as regards the following:

- reduction of cash flow from new contracts in the first two years of performance,

(prepared in accordance with IAS 34 "Interim Financial Reporting", in PLN 000's)

- raising costs planned to secure financing from 2021 on,
- extending the period for recovery of receivables from counterparties.

Cash flow in the restructuring plan allows for a disposal of assets from agreements terminated over a year from arrangement date, more intense collection activities, leasing portfolio restoration, reduction and deferral of debt.

The restructuring plan divided the creditors into five groups:

- Group 1 - Social Security Institution – no reduction assumed, a total of PLN 52k debt due to the group.
- Group 2- banks and other creditors whose debts arise from bank loans extended to the Company which were secured with the assets of ETF-L ENERGO-UTECH S.A., The assumed reduction is 25%, no more than 90% of the unsecured amount, and the total debt due to the group is PLN 231.9m.
- Group 3 – liabilities to public law institutions, the reduction proposed is 60% and the total debt due to the group is PLN 530k.
- Group 4 – other entities funding business operations. The reduction planned is 20%, and the total debt to the group is PLN 16.2m.
- Group 5 - other creditors, no reduction, the total debt due to the group is PLN 502k.

In the modified financial projection the subsidiary also allows for a gradual resumption of business operations and a leasing action as follows:

Year	Assumed revenues from new contracts
2021	PLN 37,500k
2022	PLN 56,250k
2023	PLN 112,500k
2024	PLN 112,500k
2025	PLN 112,500k
2026	PLN 112,500k
2027	PLN 112,500k

The planned assumptions also allow for the cost of new financing which is necessary for new contracting. The subsidiary assumes that in the first phase of the arrangement the form of financing its operations will change so that leasing receivables will be sold. To this end, letters of intent were obtained.

The above plan is only tentative and it is now being negotiated by the Company and its creditors so as to arrive at the final arrangement proposals for voting. The plan is scheduled to be voted on in January/February 2021.

The Group's Board admits there is a material risk affecting the subsidiary's operations. Based on the cash flow showing a cumulative negative value of PLN 8.4m and no approval for the arrangement, there is a serious risk the undertaking will not be able to continue its business operations.

The plan assumptions are not final nor have they been approved by the subsidiary's creditors. The assumptions, specifically those concerning debt reduction, may change as a result of the negotiations currently underway. What the final concept looks like will, on the one hand, determine the chances of the arrangement being approved in voting. It will also affect cash flow in later periods on which the sector's going concern depends. If the negotiations yield no positive outcome culminating in an arrangement, that will be the end of the financial sector.

4. With respect to the power sector (corresponding to the operations of Elektrociepłownia Będzin Sp. z o.o., a subsidiary), the Group's Board takes notice of the following uncertainties related to the going concern principle:

In the period ended 30 September 2020, the power sector incurred a net loss of PLN 45,236k. The accounting year having ended, in 1H2020 liquidity problems affected the segment, that is why measures were taken to recover liquidity.

On 31 August 2020 the subsidiary’s Board terminated a contract with the then coal supplier, PGG (half a year’s notice) by invoking extraordinary factors causing contract performance to carry a risk of substantial losses to be incurred by the Company (coal is the main raw material) and negotiations with other coal suppliers active on the market in order to change the terms of purchasing coal. Changing the terms of coal supplies will enable a timely payment of dues in the sector in the subsequent periods as contracts with other coal suppliers were made on considerably more favourable terms:

- the payment deadlines for trade payables from the purchase of coal were extended to a minimum of 90 days,
- a unit price for the purchase of coal was reduced by accepting orders from a number of competing suppliers while the value of orders from the existing supplier was reduced (supplier diversification).

The respective subsidiary’s Board came up with a cash flow forecast keeping the above key terms in mind (i.e. the present coal prices and extending payment deadlines up to 90 days) and assuming a gradual repayment of the liability to Polska Grupa Górnicza [Polish Mining Group] (PGG). Cash flow based on the assumptions will suffice to timely pay the dues in the sector over a period no shorter than one year from the balance sheet day.

As at preparing these financial statements, Elektrociepłownia BĘDZIN Sp. z o.o. holds due and payable liabilities to Polska Grupa Górnicza SA based in Katowice with respect to invoices for coal supply amounting to approx. PLN 2.7m. The Company pays its dues within 30 days from delivery date. The entire debt will be repaid by 17 December.

In addition, the energy segment has a duty to purchase CO2 emission allowances for 2020 by 30 April 2021.

Summing up, continuing operations by Elektrociepłownia Będzin S.A. in roughly the same form depends on whether an arrangement with the creditors of the subsidiary is approved, and, contrary to what the parent undertaking’s Board maintains, whether it is necessary to repay contingent liabilities from guarantees and whether the bond liabilities become short-term. Further, with respect to the power sector, its activity will be dependent on whether it is possible to generate funds to buy CO2 emission allowances.
The parent undertaking’s Board finds that the likelihood of a positive outcome is high, hence the Group’s going concern principle in roughly the same form is reasonable. Therefore, the consolidated financial statements as at 30 September 2020 were prepared on the assumption that the Company will continue its not materially curtailed scope of operations in the foreseeable future spanning over a period no shorter than one year from the balance sheet date.

The parent undertaking’s Board states that over long-term perspective, but no later than by the end of 1H2022, following a tentatively planned sale of the power segment, with the use of, among others, funds from the sales, the Group will be active in financial and investment sector of small CHP assets (renewable energy).

7.5 Judgements and estimates

Condensed interim consolidated financial statements consistent with EU IFRS require that the Parent Undertaking’s Board make judgements, estimates and assumptions which influence the application of accounting principles, values of assets, equity, liabilities, revenues and costs whose actual values may vary from the estimated value.
In the period to which the consolidated financial statements pertain, no material changes of estimation methods took place.

The Group figures out if there is any objective evidence on the balance sheet date that a loss has been incurred due to an impaired financial asset or assets.

What follows, are the basic assumptions regarding the future and other key sources of uncertainty as at the balance sheet date which carry a material risk of a significant adjustment of the carrying value of assets and liabilities in the following financial year.
The assumptions and estimates are based on the Board’s best knowledge regarding the current and future events and actions. The accurate outcome, however, may vary from the anticipated one. The main areas in which the Board’s estimates significantly impact the consolidated financial statements are the following:

a) permanent impairment allowances – the Group determines, as at every balance sheet date, whether there are objective conditions for impairment of a non-financial non-current asset. The analysis takes into account both external and internal factors. During an impairment test, the Group estimates the recoverable value. The useful value of the entities generating cash flow is estimated on the basis of their future cash flow followed by adjusting the cash flow at a discount rate to arrive at the present value;

b) employee benefits during and after employment – provisions for employee benefits were measured by calculating the balance of liabilities from anticipated future payment of benefits as at the end of the reporting period on actuarial basis; discount rate and the pace of long-term pay rise influence the estimate;

c) periods of depreciation for property, plant and equipment and amortisation for intangible assets – the value of respective charges is based on the expected economic life of the said assets. Periods of economic life are verified at least once an accounting year. This year’s verification resulted in adjusting depreciation/amortisation periods:

d) impairment allowances for trade receivables and other – an impairment allowance is based on the expected credit loss. The expected credit losses take account of both the events of counterparties’ default having taken place, as well as the potential, estimated credit losses. Potential credit losses are estimated on the basis of the type, age, enforcement stage, with the following stages of the procedure: current receivable, overdue receivable before court action, receivable in court or debt enforcement proceedings, receivables from a bankrupt counterparty or settled by the court. Receivables are charged to costs pursuant to internal regulations;

e) uninvoiced sales revenues as at the end of the accounting period – the sales volume of power not yet settled is estimated on the basis of power energy production readout for the period from the last settlement to the end date of the accounting period;

f) provision for the purchase of CO2 allowances – the judgements pertain to the necessary CO2 allowances actually being purchased for a given accounting year;

g) recoverability of deferred income tax – valued on the basis of tax rates to be applied the moment the asset is realized. The Group recognises the deferred income asset assuming that a tax profit will be generated in the future that will enable consuming the asset.

8. Major accounting principles

In preparing these condensed interim consolidated financial statements, the Group applied the same accounting principles and calculation methods as for the 2019 consolidated financial statements

As at the date of preparing these condensed interim consolidated financial statements, the following new standards, amendments to existing standards and a new interpretation were issued by IASB (not yet effective):
- IFRS 17 ”Insurance Contracts” (applicable for yearly periods commencing on 1 January 2021 or later),
- Amendments to IFRS 3 “Business Combinations” – definition of a business (applicable for combinations due on the beginning of a first yearly period commencing on 1 January 2020 or later and for assets being acquired as at the beginning of the said yearly period or later),

- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 „Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and later amendments (the effective date of the amendments was deferred until works on the equity method are completed),
- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Material (applicable for yearly periods commencing on 1 January 2020 or later),
- Amendments to References to the Conceptual Framework in IFRS Standards (applicable for yearly periods commencing on 1 January 2020 or later).

The Group chose not to take the opportunity to earlier apply the said standards, amendments to the existing standards and interpretations.
The Group did not choose to apply any other standard, interpretation or amendment which had been published, however, not yet come into effect in the light of the EU law.

9. Financial risk management

The Group is exposed to the following types of risk related to the use of financial instruments:
- credit risk
- liquidity risk
- FX risk
- interest rate risk

Information about the Group’s exposure to a given risk, objectives, principles and procedures of risk measurement and management adopted by the Group along with information of capital management by the Group is presented in the 2019 consolidated annual financial statements.

As at 30 September 2020 the value of the Group’s short-term liabilities was PLN 294.139k and it was by PLN 173.933k higher than the current assets. The surplus is mainly due to necessary requalifying credit liabilities from long-term to short-term liabilities. The subsidiary – with respect to bank covenant breach, the company did not obtain banks’ declarations that the breach will not be conducive to terminating loan contracts.
The requalified credit liabilities mainly finance lease receivables which fall into short- and long-term in the statements. The subsidiary is in restructuring and it continues both lease contracts and the credit liabilities that finance the contracts (under the proposed arrangement solutions).

The Group’s profitability depends on signing annexes to long-term heat energy supply contracts, situation on the power energy market, as well as long-term lease and lease (with the right to collect benefits) agreements.

In the Parent Undertaking’s Board’s view, the above gap may to a large extent be bridged with funds coming from surplus generated by the Group from the disposal of key assets by the time particular short-term financial liabilities mature. In order to bridge the remaining portion of the financial gap, the Group undertook actions aiming to:
- sell non-current assets from the lease (with the right to collect benefits) contract to the financing bank;
- sell the assets (from terminated lease contracts) transferred for security;
- step up collection of the overdue debt of Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A
- extend the maturity of a portion of financial liabilities attributable to funding the purchase of interest in Energetyczne Towarzystwo Finansowo-Leasingowe ENERGO-UTECH S.A.,

Whether or not the above measures prove successful is essential to the Group’s financial liquidity.

10. Business segment reporting

The Group presents financial information broken down into two segments: power segment covering production of power energy and heat both in conventional sources, and the financial services segment covering lease (with the right to collect benefits), leasing or providing access to property, plant and equipment in another form.

(prepared in accordance with IAS 34 “Interim Financial Reporting”, in PLN 000's)

Currently, this division matches the internal reporting framework of the Group arising from the management structure. It is subject to a regular control exercised by the Parent Undertaking’s Management Board and is used for taking decisions about allocation of resources and to assess the performance of segments.

The Group pursues its business objectives within two key reporting segments distinguished based on different management strategies (production, financial) assumed for each segment.

There is no geographic diversification of the Group’s activity and the entire business is conducted in Poland, thus no geographical regions have been specified.

Operational segments for period 01.01.2020 - 30.09.2020	**Energy segment**	**Financial segment**	**Total**
Revenues from external customers	103 839	8 406	112 245
Other operating revenues	1 712	3 406	5 118
Segment total revenues	**105 551**	**11 812**	**117 363**
Operating expenses	-	(8 409)	(8 409)
Amortisation/depreciation	(8 793)	(300)	(9 093)
CO_2 emission allowances surrendered	(48 572)	-	(48 572)
Consumption of materials and energy	(56 774)	(94)	(56 868)
Third party services	(14 642)	(1 128)	(15 770)
Taxes and fees	(2 767)	(654)	(3 421)
Remuneration and employee benefits	(13 207)	(2 666)	(15 873)
Other costs by type	(283)	(1 852)	(2 135)
Value of sold goods and materials	(2 512)	-	(2 512)
Other operating costs	(545)	(283)	(828)
Impairment loss according to IFRS 9	-	(654)	(654)
Operating activity bottom line	**(42 544)**	**(4 228)**	**(46 772)**
Financial income	251	222	473
Financial expenses	(2 939)	(1 196)	(4 135)
Gross profit/ loss	**(45 232)**	**(5 202)**	**(50 434)**
Income tax	(4)	(151)	(155)
Net profit/ loss	**(45 236)**	**(5 353)**	**(50 589)**

Assets and liabilities of segments as at 30.09.2020	**Energy segment**	**Financial segment**	**Total**
Segment assets	159 532	196 550	356 082
Total assets	**159 532**	**196 550**	**356 082**
Segment liabilties	93 563	247 759	341 322
Total equity	65 969	(51 209)	14 760
Total liabilities and equity	**159 532**	**196 550**	**356 082**

(prepared in accordance with IAS 34 "Interim Financial Reporting", in PLN 000's)

Operational segments for period 01.01.2019 - 30.09.2019	Energy segment	Financial segment	Total
Revenues from external customers	138 121	28 643	166 764
Other operating revenues	1 138	840	1 978
Segment total revenues	**139 259**	**29 483**	**168 742**
Amortisation/depreciation	(11 371)	(2 769)	(14 140)
Consumption of materials and energy	(102 252)	(124)	(102 376)
Third party services	(13 326)	(375)	(13 701)
Taxes and fees	(2 722)	(653)	(3 375)
Remuneration and employee benefits	(14 945)	(2 912)	(17 857)
Other costs by type	(289)	(847)	(1 136)
Value of sold goods and materials	(1 404)	(10 660)	(12 064)
Other operating costs	(441)	(312)	(753)
Impairment loss according to IFRS 9	-	(11 735)	(11 735)
Operating activity bottom line	**(7 491)**	**(904)**	**(8 395)**
Financial income	187	555	742
Financial expenses	(2 773)	(11 067)	(13 840)
Gross profit/ loss	**(10 077)**	**(11 416)**	**(21 493)**
Income tax	1 605	1 596	3 201
Net profit/ loss	**(8 472)**	**(9 820)**	**(18 292)**

Assets and liabilities of segments as at 30.09.2019	Energy segment	Financial segment	Total
Segment assets	254 129	320 793	574 922
Total assets	**254 129**	**320 793**	**574 922**
Segment liabilties	112 701	308 295	420 996
Total equity	141 428	12 498	153 926
Total liabilities and equity	**254 129**	**320 793**	**574 922**

Energy sector revenues from	30.09.2020	30.09.2019
Electric energy	61 997	75 254
Thermal energy	38 519	60 918
Other	3 323	1 949
Closing balance	**103 839**	**138 121**

All revenues from contracts with clients derive from the power sector.
Power energy sales via the Polish Power Exchange (TGE) at the current wholesale prices determined for short-term contractual supplies. The revenues are recognised over the supply period, payment deadline of 7 to 30 days.
Heat energy sales to an entity of the Group of Tauron Polska Energia SA at tariff prices, for long-term contractual supplies. The revenues are recognised over the supply period, payment deadline of 7 to 30 days.

Income from the financial segment due to	30.09.2020	30.09.2019
Lease, lease with the right to collect benefits	6 179	15 166
Interest on loans/factoring	1 665	1 852
Other	562	11 625
Closing balance	**8 406**	**28 643**

(prepared in accordance with IAS 34 “Interim Financial Reporting”, in PLN 000's)

11. Investment property, right to use property, plant and equipment. Property, plant and equipment.

11.1 Investment property

	2020-09-30	2019-12-31
Value at 01.01.2020	967	-
Recognition of the right of use in accordance with IFRS 16	-	116
Transfer from property plant and equipment	-	851
Value at 30.09.2020	967	967

11.2 Right to use property, plant and equipment

	Land, buildings and structures	Vehicles	Total
INITIAL VALUE			
Gross value at 01.01.2019	-	-	-
Transfer from property plant and equipment	4 140	918	5 058
Recognition of the right of use in accordance with IFRS 16	1840	0	1 840
As at 31.12.2019	5 980	918	6 898
As at 01.01.2020	5 980	918	6 898
As at 30.09.2020	5 980	918	6 898
DEPRECIATION AND IMPAIRMENT			
As at 01.01.2019	-	-	-
Depreciation for the period	131	149	280
Transfer from property plant and equipment	337	-	337
As at 31.12.2019	468	149	617
As at 01.01.2020	468	149	617
Depreciation for the period	140	138	278
DEPRECIATION AND IMPAIRMENT AS AT 30.09.2020	608	287	895
NET VALUE			
As at 31.12.2019	5 512	769	6 281
As at 30.09.2020	5 372	631	6 003

(prepared in accordance with IAS 34 "Interim Financial Reporting", in PLN 000's)

11.3 Property, plant and equipment

Gross value of property, plant and equipment	Land, buildings and structures	Machines and equipment	Means of transportation	Other property, plant and equipment	Property, plant and equipment under construction	Total
Gross value as at 01.01.2019	76 534	214 552	11 122	1 570	(1 628)	300 025
Purchase	140	472	1 017	45	1 583	3 257
Sale	-	11 760	(8 733)	-	-	3 027
Liquidation	-	(104)	(99)	-	(10)	(213)
Settlement/change of classification	-	-	(24 847)	-	(1 574)	(26 421)
Transfer of the right to use property plant and equipment	(4 140)	-	(918)	-	-	(5 058)
Transfer to investment property	(851)	-	-	-	-	(851)
Gross value as at 31.12.2019	**71 683**	**226 680**	**3 307**	**1 615**	**(1 629)**	**273 766**
Gross value as at 01.01.2020	71 683	226 680	3 307	1 615	(1 629)	273 766
Purchase	-	43	376	6	582	1 007
Sale	-	(25)	(34)	(15)	-	(74)
Liquidation	-	(4)	-	(8)	-	(12)
Impairment loss according to IFRS 9	-	-	-	-	-	-
Settlement/change of classification	(397)	1 875	-	-	(425)	1 053
Gross value as at 30.09.2020	**71 286**	**228 569**	**3 649**	**1 598**	**(1 472)**	**275 740**

Accumulated depreciation and impairment allowances	Land, buildings and structures	Machines and equipment	Means of transportation	Other property, plant and equipment	Property, plant and equipment under construction	Total
Accumulated depreciation and impairment charges as at 01.01.2019	13 331	55 293	5 393	1 077	-	75 094
Depreciation	3 032	11 808	613	187	-	15 640
Sale	-	(42)	(3 614)	-	-	(3 656)
Settlement / reclassification		-	(11 235)	-	-	(11 235)
Liquidation	-	(104)	(22)	-	-	(126)
Transfer of the right to use property plant and	(468)	-	(149)	-	-	(617)
Impairment allowances	18 402	40 159	-	87	-	58 648
Accumulated depreciation and impairment allowances as at 31.12.2019	**34 297**	**107 114**	**(9 014)**	**1 351**	**-**	**133 748**
Accumulated depreciation and impairment allowances as at 01.01.2020	34 297	107 114	(9 014)	1 351	-	133 748
Depreciation	2 004	7 630	199	94	-	9 927
Sale	-	(25)	(34)	(14)	-	(73)
Liquidation	-	(4)	-	(8)	-	(12)
Settlement / reclassification	-	-	-	-	-	-
Accumulated depreciation and impairment allowances as at 30.09.2020	**36 301**	**114 715**	**(8 849)**	**1 423**	**-**	**143 590**
Net value						
01.01.2019	63 070	159 259	5 729	541	(1 628)	224 929
31.12.2019	37 386	119 566	12 321	264	(1 629)	140 018
01.01.2020	37 386	119 566	12 321	264	(1 629)	140 018
30.09.2020	34 985	113 854	12 498	175	(1 472)	132 150

In the consolidated financial statements as at 31 December 2019 an impairment allowance for property, plant and equipment of PLN 58,648k was recognised.

The Board adheres to its opinion expressed in the interim consolidated financial statements as at 30 June 2020 as regards conditions to continue/derecognise the impairment allowances.

(prepared in accordance with IAS 34 “Interim Financial Reporting”, in PLN 000's)

12. Intangible assets

Gross value of intangibles	Patents, licences, software	Other intangible assets	CO2 emission allowances	Total
Gross value as at 01.01.2019	887	5 512	32 368	38 767
Purchase	898	-	34 068	34 966
Receipt (gratuitous allocation)	-	-	5 889	5 889
Liquidation	(108)	-	-	(108)
Gross value as at 31.12.2019	**1 677**	**5 512**	**72 325**	**79 514**
Gross value as at 01.01.2020	1 677	5 512	72 325	79 514
Purchase	-	-	(26 040)	(26 040)
Allocation	-	-	5 847	5 847
Gross value as at 30.09.2020	**1 677**	**5 512**	**52 132**	**59 321**

Accumulated amortisation and impairment allowances	Patents, licences, software	Other intangible assets	CO2 emission allowances	Total
Accumulated amortisation and impairment allowances as at 01.01.2019	803	2 066	12 884	15 753
Amortisation	68	551	46 267	46 886
Liquidation	(108)	-	-	(108)
Impairment allowances	-	2 895	-	2 895
Accumulated amortisation and impairment allowances as at 31.12.2019	**763**	**5 512**	**59 151**	**65 426**
Accumulated amortisation and impairment allowances as at 01.01.2020	763	5 512	59 151	65 426
Purchase	159	-	(7 101)	(6 942)
Allocation	-	-	-	-
Accumulated amortisation and impairment allowances as at 30.09.2020	**922**	**5 512**	**52 050**	**58 484**
Net value				
01.01.2019	84	3 446	19 484	23 014
31.12.2019	914	-	13 174	14 088
01.01.2020	914	-	13 174	14 088
30.09.2020	755	-	82	837

Amortisation of intangible assets is recognised along with the depreciation of property, plant and equipment under “Amortisation/depreciation” in the consolidated statement of profit or loss and other comprehensive income.

13. Lease receivables

Receivables from lease agreements	30.09.2020
Gross value at the begining of the period	**226 702**
Reduction - capital repayment	(51 549)
Increases - new lease agreements	-
Gross value at the end of the period	**175 153**
Impairment allowance	(39 877)
Net value at the end of the period	**135 276**

(prepared in accordance with IAS 34 "Interim Financial Reporting", in PLN 000's)

Change in balance of impairment charges on lease agreements	30.09.2020	31.12.2019
Opening balance	(38 986)	(3 188)
Impairment loss according to IFRS 9	-	-
Increases	(891)	(35 798)
Cancellations	-	-
Utilised	-	-
Closing balance	**(39 877)**	**(38 986)**

14. Impairment allowances for loans granted

Change in balance of impairment charges on loans	30.09.2020	31.12.2019
Opening balance	(4 197)	-
Utilised	-	-
Increases	-	(4 197)
Cancellations	237	-
Closing balance	**(3 960)**	**(4 197)**

15. Inventories

Inventories	30.09.2020	31.12.2019
Goods	30 549	30 549
Materials	5 795	11 999
Energy certificates	19	19
Advance payments towards deliveries	3	-
	36 366	**42 567**

Energy certificates	30.09.2020	31.12.2019
Opening balance	19	2 195
Generation	-	-
Sale	-	-
Cancellation	-	(2 176)
Impairment charge	-	-
Closing balance	**19**	**19**

(prepared in accordance with IAS 34 “Interim Financial Reporting”, in PLN 000's)

16. Shareholders’ equity

	30.09.2020	31.12.2019
Opening number of shares	3 149 200	3 149 200
Closing number of shares (fully paid up)	**3 149 200**	**3 149 200**

Equity as at 30.09.2020	Number of shares	Nominal value of single share (in PLN)	Reporting value (in PLNk)
A-series shares	3 149 200	5	15 746
Total number of shares	**3 149 200**		
Nominal value of share capital			15 746
Share capital resulting from hyperinflation revaluation			**21 982**
Total share capital			**37 728**
Supplementary capital			67 613
Reserve capital			44 843
Total other capital			**112 456**
Defined benefits plan revaluation reserve			(564)
Retained profits			(134 860)
Total equity			**14 760**

Equity as at 31.12.2019	Number of shares	Nominal value of single share (in PLN)	Reporting value (in PLNk)
A-series shares	3 149 200	5	15 746
Total number of shares	**3 149 200**		
Nominal value of share capital			15 746
Share capital resulting from hyperinflation revaluation			21 982
Total share capital			**37 728**
Supplementary capital			67 613
Reserve capital			44 843
Total other capital			**112 456**
Defined benefits plan revaluation reserve			(564)
Retained profits			(84 271)
Total equity			**65 349**

The structure of shareholders as at 30.09.2020

Shareholder	Number of shares	Nominal value of shares	Shareholding (%)
Krzysztof Kwiatkowski	884 499	4 422	28,09%
VALUE FIZ subfundusz 1	334 747	1 674	10,63%
Bank Gospodarstwa Krajowego	311 355	1 557	9,89%
Waldemar Witkowski	202 979	1 015	6,45%
Familiar S.A. SICAV - SIR	271 526	1 358	8,62%
Treasury	157 466	787	5,00%
Other shareholders	986 628	4 933	31,33%
	3 149 200	**15 746**	**100,00%**

Dividends
Over the 9 months of 2020 the Parent Undertaking did not pay our any dividend.

17. Earnings per share

	30.09.2020	30.06.2019
Opening number of shares	3 149 200	3 149 200
Closing number of shares	3 149 200	3 149 200
Average weighted number of issued shares	**3 149 200**	**3 149 200**

	30.09.2020	30.06.2019
Net profit distributed amongst shareholders of parent undertaking (in PLN 000's)	(50 589)	(18 292)
Number of shares	3 149 200	3 149 200
Main profit per share (PLN/share)	**(16,1)**	**(5,8)**

18. Employee benefits

Change in current value of liabilities under defined benefits	01.01.2020 - 30.09.2020	01.01.2019- 31.12.2019
Opening balance of liabilities under defined benefits	4 613	4 584
Increases as part of acquisition of business entities	-	-
Current employment cost	-	128
Interest cost	-	103
Defined benefits plan revaluation reserve recognized in other comprehensive income	-	211
Benefits paid	(409)	(413)
Closing balance of liabilities under defined benefits	**4 204**	**4 613**

Changes in the present value of the liability for other employee benefits	01.01.2020 - 30.09.2020	01.01.2019- 31.12.2019
Liability for other employee benefits at the beginning of the period	4 090	4 638
Current employment cost	928	2 415
Interest cost	-	73
Revaluation of liabilities due to other employee benefits recognized in profit or loss for the current period	-	236
Benefits paid	(1 633)	(2 960)
Released	(239)	(312)
Liability for other employee benefits at the end of the period	**3 146**	**4 090**

(prepared in accordance with IAS 34 “Interim Financial Reporting”, in PLN 000's)

Change in balance of liabilities under employee benefits	Service anniversary awards	Retirement and disability severance payments	Other liabilities	Total
As at 01.01.2020	**2 741**	**3 619**	**2 862**	**9 222**
Raised	-	-	893	893
Utilised	(308)	(409)	(1 325)	(2 042)
Released	-	-	(239)	(239)
Revaluation of provisions recognized in other comprehensive income	-	-	-	-
As at 30.09.2020	**2 433**	**3 210**	**2 191**	**7 350**
- long-term provisions	2 407	2 944	391	5 742
- short-term provisions	(9)	275	1 342	1 608

Change in balance of liabilities under employee benefits	Service anniversary awards	Retirement and disability severance payments	Other liabilities	Total
As at 01.01.2019	**2 741**	**3 619**	**2 862**	**9 222**
Raised	189	211	2 282	2 682
Utilised	(545)	(403)	(2 343)	(3 291)
Released	236	(26)	(331)	(121)
Revaluation of provisions recognized in other comprehensive income	-	227	(16)	211
As at 31.12.2019	**2 621**	**3 628**	**2 454**	**8 703**
- long-term provisions	2 322	2 944	476	5 742
- short-term provisions	299	684	1 978	2 961

Liabilities from defined benefits pertain to retirement severance pay, disability pension severance pay, death-in-service severance pay, provisions for Company Welfare Benefits Fund. IAS 19 as an accounting base, as well as remuneration rules and the Labour Code as the legal, base underlie the above provisions.

19. Provisions

Provisions	Provision for CO2 emission allowance	Other provisions	Total
Value at 01.01.2020	**60 257**	**139**	**60 396**
Raised	52 630	-	52 630
Taken over as part of the acquisition of business units	-	-	-
Utilised	(60 236)	(160)	(60 396)
Reclassification	-		-
Value at 30.09.2020	**52 630**	**-**	**52 630**
- long-term	-	-	-
- short-term	52 630	-	52 630

(prepared in accordance with IAS 34 “Interim Financial Reporting”, in PLN 000's)

20. Fair value of financial instruments

The fair value of financial instruments for which no active market exists is determined on the basis of the relevant appraisal techniques. The Group applies professional judgment in selection of the relevant methods and assumptions.

Derivative financial instruments designated as part of hedging relationships - cash flow hedge, including:	Balance sheet value		Fair value	
	30 September 2020 unaudited	30 September 2019 unaudited	30 September 2020 unaudited	30 September 2019 unaudited
Interest rate swaps	(526)	(335)	(526)	(335)
Total	**(526)**	**(335)**	**(526)**	**(335)**

On its books, the Group holds financial instruments which are not measured at fair value. An analysis was carried out for all the instruments and it showed that the fair value does not significantly deviate from the carrying value. The following items were included: lease and loan receivables, bank loan and loan liabilities and bond liabilities which are based on market interest rates (WIBOR) or approximate, and market margins, largely short-term (on account of requalifying long-term liabilities to short-term items as an aftermath of covenant breach).

21. Contractual liabilities incurred to purchase property, plant and equipment and intangible assets

On 3 June 2015, Elektrociepłownia BĘDZIN Sp. z o.o. signed an annex to contract no. 99/EC/2014 with SBB Energy S.A. on the delivery of project “Construction of flue gas desulphurisation and denitrogenation installation”. The total value of the investment was estimated at PLN 130m. As at 31 December 2018, the total value of capital expenditures incurred on the above agreement amounted to PLN 130m. The project was completed and no additional investments are anticipated.

22. Explanations to the Group's seasonal or cyclical character

Peculiar seasonality is what characterises the operations of the Group of Elektrociepłownia “Będzin” S.A. as a heat and power energy producer. There are differences in the volume of heat and power energy generated between reporting periods, which is due to the production being dependent on seasons and the changes in weather conditions. In particular, the differences concern heat production and sales, the latter being definitely higher in autumn and winter.

No seasonality effect in the financial segment.

23. Contingent liabilities and court proceedings

EC Będzin SA, the Issuer, is obliged to early redeem the Bonds with funds obtained from the sale of EC Będzin Sp. z o.o. (within 10 days from transaction settlement).

There is no court case pending by nor against Elektrociepłownia BĘDZIN S.A.

There are no court cases pending by or against Elektrociepłownia BĘDZIN Sp. z o.o.

Court cases are pending by Energetyczne Towarzystwo Finansowe–Leasingowe Energo-Utech S.A in restructuring against its couterparties for the payment of a total of PLN 144k. The amount is made up from due and payable lease receivables which are partly covered with an impairment allowance and secured with the value of leased assets.

There are no court proceedings pending against Energetyczne Towarzystwo Finansowo - Leasingowe ENERGO – UTECH S.A. in restructuring.

(prepared in accordance with IAS 34 "Interim Financial Reporting", in PLN 000's)

24. Security over assets

Property, plant and equipment secures the Group's external financing. On 16 December 2014 Energetyczne Towarzystwo Finansowo-Leasingowe Energo-Utech S.A. entered into a loan contract with Bank Polska Kasa Opieki S.A. to finance a project of Elektrociepłownia BĘDZIN Sp. z o.o. Under the contract, the Company established the following security over the assets:

- highest priority collective mortgage of PLN 196,984k on the property of Elektrociepłownia BĘDZIN Sp. z o.o. located in Sosnowiec for which the Regional Court in Sosnowiec, 6th Division of Land and Mortgage Registry, maintains the following land and mortgage registries: KA1S/00033883/2 and KA1S/0034647/3, and on property located in Będzin for which the Regional Court in Będzin, 5th Division of Land and Mortgage Registry, maintains a land and mortgage registry no. KA1B/00016873/8,
- registered pledge on a collection of things and rights defined as a collection of all movables and property rights comprising an undertaking, i.e., Elektrociepłownia BĘDZIN Sp. z o.o. (excluding the rights to bank accounts of Elektrociepłownia BĘDZIN Sp. z o.o. and the rights pertaining to agreements on assignment of rights for security made between Bank Polska Kasa Opieki S.A. and Elektrociepłownia BĘDZIN Sp. z o.o., as well as property and other rights which, by law, must not be encumbered with a registered pledge as construed by the catalogue on how to describe the assets pledge which is Appendix 1 to the Regulation of the Minister of Justice of 15 October 1997 on a detailed arrangement of the manner to maintain a registered pledge being a collection of things and rights representing an economic whole, even if its composition is variable, as construed by the Registered Pledge Act – the pledge value was determined at PLN 123,808k (as at 31 December 2019, adjustment up to PLN 135,555k; no material changes as at 30 June 2020),
- heat sale contract of Elektrociepłownia BĘDZIN Sp. z o.o. - assignment of rights for security,
- power energy sales contracts and other contracts generating revenues of over PLN 200k a year and signed by Elektrociepłownia BĘDZIN Sp. z o.o - assignment of rights for security,
- - letters of authorisation to the bank accounts of Elektrociepłownia BĘDZIN Sp. z o.o.

The above security over assets is valid by 30 June 2026.

No material changes versus 31 December 2019.

25. Information on the dividend obtained

The Parent Undertaking received no dividend in the period to which the statements pertain.

26. Transactions with affiliated entities

Transactions with the executive and non-executive staff

As at 30 September 2020 the books of Energo-Utech show unsettled advance payments made to Krzysztof Kwiatkowski in the amount of PLN 45k.

No advance payments, loans, bank loans, guarantees nor other agreements to provide were made over the reporting period ending on 30 September 2020 with respect to the executive and non-executive staff, their spouses, relatives by blood or affinity.

Remuneration of the executive and non-executive staff

Employee benefits of the key members of the Group's executive and non-executive staff were as follows:

	30.09.2020	30.09.2019
Short-term employee benefits	310	391
Other benefits (retirement severance pay, equivalent)	100	-
	410	**391**

(prepared in accordance with IAS 34 "Interim Financial Reporting", in PLN 000's)

Transactions with affiliated entities

As at 30.09.2020	Receivables	Liabilities
Energo Biomasa sp. z o. o.	4 551	-
MDW Glanowski	-	9 508
Power Engineering S.A	1 448	-
EU Piekarnie sp. z o. o.	8 910	-
Autodirect S.A.	771	-
	15 680	**9 508**

Period 01.01.2020- 30.09.2020	Sales of products	Other income
Energo Biomasa sp. z o. o.	45	128
Power Engineering S.A	-	37
EU Piekarnie sp. z o. o.	-	575
Autodirect S.A.	-	40
	45	**780**

Period 01.01.2020- 30.09.2020	Purchase of services	Other purchase
MDW Glanowski	-	468
	-	**468**

27. Events past balance sheet date

On 10 October 2020 interest on bonds was paid for the 11th interest period in the amount of PLN 461k.

28. Headcount

The Group's average staff numbers (in FTE's) were as follows:

	30.09.2020	30.09.2019
Production staff	90	91
Office staff	67	76
	157	**167**

29. Information on defaulting on a (bank) loan or breaching other material (bank) loan covenants.

In the reporting period, with respect to the insolvency of Energo-Utech S.A. specified in a request to open expedite arrangement proceedings, covenants in bank loan contracts made with the financing banks (mBank S.A., PEKAO SA, Alior, Santander Bank Polska, BS Gliwice, BGK, PBS) were breached due to a deterioration of the company's financial standing and asset situation. The covenant breach enables the banks to terminate bank loan agreements.
Therefore, all the banks loans were requalified as short-term as at 30 September 2020.
Moreover, financial ratios with the banks were also breached (as at 31 December 2019 and 30 September 2020 respectively):

a) PKO BP (loan amount: PLN 18.783k interest: PLN 45k):

- sales profit/interest costs no lower than 1.05%,
- equity/liabilities no lower than 8%,
- current liquidity no lower than 1.0.

The ratios named above are calculated and verified on the basis of financial figures for the last four quarters prior to the audit.
In case whichever of the ratios is breached, the Borrower must establish additional security for the debt to PKO BP SA in the amount of PLN 1,000,000, in the form of funds deposited on an account of PKO BO SA in the amount of PLN 1,000,000. The deposit will be made once in case any covenant is breached and it will secure all the active loan contracts made by PKO BP SA and the Borrower.
The Board approached the Bank to have the covenant breach accepted and was not discharged from the obligation to establish additional security in the amount of PLN 1,000,000.

b) mBank (loan amount: PLN 42,676k):

- current liquidity calculated as: (inventory – non-marketable inventory + short term receivables – bad receivables – receivables claimed at court + short-term investments)/(short-term liabilities to affiliated and other entities, excluding special funds) no lower than 1.0
- (EBIT + depreciation)/interest, whereby EBIT is construed as a total of net profit (loss), income tax and interest – no lower than 1.35
- equity/assets – no lower than 6.0 %

The said financial ratios are verified based on financial figures from financial statements.
In the case of covenant breach, the Bank is entitled to change the margin.
The Board received the Bank’s declaration that a failure to meet the covenants will not be conducive to a breach and thus, to a termination of the loan agreement.

c) Santander Bank Polska (loan amount: PLN 3,774k):

- NPL ratio (i.e. the share of lease receivables from contracts with the Client as the Lessor, for which instalments overdue more than 60 days are recorded, versus the total lease portfolio) no higher than 3.0%;
- gross profitability (i.e. gross profit or loss/net sales revenues) no lower than 8.0%;
- allocation of at least 50% of net profit to equity.

As per the contract, the said ratios are to be verified yearly, based on the Client’s stand-alone figures. Under the contract, in case of defaulting on the said covenants, the Bank will be authorised to, among others, change loan interest rate by changing the Bank’s margin, including, in particular cases, for each broken covenant.
The Bank raised the margin by 0.6%.

d) PEKAO SA (loan amount: PLN 91,329k interest: PLN 2,372k):
In the case of covenant breach involving dividend pay-out and Debt Servicing the Bank used the following sanctions provided for in the loan contract to finance a project of Elektrociepłownia Będzin Sp. z o.o.: margin increase by 2 p.p. and additional security (a deposit) of PLN 2,000,000.

In 2H2019, Elektrociepłownia Będzin Sp. z o.o. was informed by Bank Pekao SA that a default had occurred with respect to excessive dividend pay-out in the amount of PLN 15,000, pursuant to Resolution 1 of the Extraordinary Meeting of Shareholders dated 8 April 2019, as a result of which debt service ratio was breached. The above said also caused a breach of the lease contract. In view of an event of default, the interest rate of Energetyczne Towarzystwo Finansowo-Leasingowe “Energo-Utech” S.A. was raised by 2.00 p.p.

On 27 September 2019, pursuant to a security deposit contract made between the Company and Bank Polska Kasa Opieki S.A., the Bank received funds and opened a security deposit of PLN 2,184k in order to secure the repayment of debt from a loan contract aiming to finance a project of Elektrociepłownia BĘDZIN Sp. z o.o. of 16 December 2014 (the contract was made between Bank Polska Kasa Opieki S.A., and Energetyczne Towarzystwo Finansowo-Leasingowe “Energo-Utech” S.A.).

Financial conditions in the bond agreement (debt securities)

The Group holds liabilities from bonds issued in the amount of PLN 16,200k and interest accrued as at the balance sheet date of PLN 478k. The liability is long-term, maturing in April 2022. The Group's Board verified whether the conditions of the bond agreement meet the criteria to continue to recognise the debt as long term and found that the criteria were met, allowing for the following uncertainty.

Under p. 23.1.17, a default occurs whenever "the Issuer's balance sheet assets of a significant value are lost or they are gratuitously disposed of, the said loss or disposal having a material and adverse effect on the Issuer's financial standing and its ability to fulfil the bond obligations. "Assets of a significant value" are to be construed as assets representing at least 10% of the Issuer's total equity."

The Group's Board is of the opinion that in spite of the uncertainty arising from an imprecisely worded provision, this condition is met. In the Board's view, in spite of losing more than 10% of the assets' value, the other part of the condition is crucial in that the loss should adversely affect the capacity to pay the bond liabilities. In the Board's opinion, as a result of measures undertaken (mainly sales property, plant and machinery under one of the parent entity's lease contracts), adequate funds are secured to timely repay bond interest, whereas the bond principal will be repaid in 2022 from the sales of interest in Elektrociepłownia "Będzin" S.A., a subsidiary. Thus, the loss incurred in this accounting year does not affect the ability to repay bond liabilities, and the condition itself is not breached.

30. Authorisation of the consolidated financial statements

These condensed interim consolidated financial statements were prepared and authorised for release by the Management Board of the Parent Undertaking on 27 November 2020.